



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

October 17, 2008

A. Charles Emanuele, President
California Career School
1100 Technology Circle
Anaheim, CA 92805-6329

Dear Mr. Emanuele:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET04-0426 for the period September 2, 2003, through September 1, 2005.

We did not receive a response to the draft audit report; therefore, our finding and recommendation remain unchanged.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditors during the audit. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

Original signed by:

Charles Rufo
Audit Director

Enclosures

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CALIFORNIA CAREER SCHOOL

Agreement No. ET04-0426

Final Audit Report

For The Period

September 2, 2003, through September 1, 2005

Report Published October 17, 2008

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AUDITOR'S REPORT

Summary

We performed an audit of California Career School's compliance with Agreement No. ET04-0426, for the period September 2, 2003, through September 1, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit was performed during the period August 20, 2007, through October 29, 2007.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$354,258. Our audit supported \$349,790 is allowable. The balance of \$4,468 is disallowed and must be returned to ETP. The disallowed costs resulted from one trainee who was not employed in an occupation for which training was provided.

AUDITOR'S REPORT (continued)

Background

California Career School (CCS), founded as CalDiesel in 1970, is headquartered in Anaheim, California and employs 41 people in three California locations; Anaheim, Hesperia, and Riverside. In 1992, Brem Industries purchased CCS and the Automotive Technician, Private Investigator, and Commercial Truck Driver programs were added to the curriculum. In 1996, the school added a Computer Numerical Control (CNC) training program.

This is the third ETP Agreement with CCS. In this training project, CCS requested to train 118 New Hire trainees in the specialized occupations of Truck Driver and Auto Emissions Technician. The Truck Drivers and Auto Emissions Technicians were to receive 280 and 600 class/lab hours in Commercial Skills, respectively.

This Agreement allowed California Career School to receive a maximum reimbursement of \$603,844 for training 118 new-hire trainees. During the Agreement term, the Contractor trained and placed 73 trainees and was reimbursed \$354,258 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of California Career School. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that California Career School complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

AUDITOR'S REPORT (continued)

- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Findings and Recommendations Section of our report, our audit supported \$349,790 of the \$354,258 paid to the Contractor under this Agreement is allowable. The balance of \$4,468 is disallowed and must be returned to ETP.

Views of Responsible Officials The audit finding was discussed with Pauline Gutierrez, Operations Manager, at an exit conference held on November 1, 2007. A draft audit report was issued to the Contractor on October 8, 2008. The Contractor notified ETP on October 9, 2008 they concurred with the audit finding and requested issuance of the final audit report.

The issuance of your final audit report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning November 1, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$398.77, which was deducted from the total accrued interest.

Audit Appeal Rights If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

AUDITOR'S REPORT (continued)

Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: October 29, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0426 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Audit Results

CALIFORNIA CAREER SCHOOL

AGREEMENT NO. ET04-0426

FOR THE PERIOD

SEPTEMBER 2, 2003, THROUGH SEPTEMBER 1, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 354,258</u>	
Costs Disallowed:		
Ineligible Trainee Occupation	4,468	Finding No. 1
Total Costs Disallowed	<u>\$ 4,468</u>	
Training Costs Allowed	<u><u>\$ 349,790</u></u>	

* See Finding and Recommendation Section.

FINDING AND RECOMMENDATION

FINDING NO. 1 – Ineligible Trainee Occupation Employment information shows that one Job No. 1 trainee was not employed in an occupation for which training was provided. As a result, we disallowed \$4,468 in training costs claimed for this trainee. Noncompliance with trainee occupation requirements was previously disclosed in our audit of ETP Agreement No. ET00-0308.

Exhibit A, paragraph VII. A. 1. of the Agreement between California Career School (CCS) and ETP states, "Employment for each trainee shall be in the occupations listed in [the Agreement]... Each trainee must be employed full-time, at least 35 hours per week with a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training." The Agreement required that trainees placed in Job 1 will be employed as Truck Drivers.

Title 22 California Code of Regulations Section 4427 states that new-hire trainees placed with temporary employment agencies must complete a retention period of 180 consecutive days with the same temporary agency.

CCS reported Trainee No. 2 completed a post-training retention period from November 30, 2004, through March 30, 2005. Trainee No. 2 stated he received employment with a temporary employment agency performing "accounting" during November 2004, but this employment was not sufficient to meet ETP's 180-day retention requirements. Subsequently, Trainee No. 2 was hired as a "Bookkeeper" with Continental Building Control Systems, Inc. on January 3, 2005. According to the employer, Trainee No. 2 performed bank reconciliations, bank deposits, billing, and receivables. Thus, the trainee was not employed in an occupation for which training was provided.

Recommendation CCS must return \$4,468 to ETP. In the future, the Contractor should ensure trainees are employed in occupations specified by the Agreement prior claiming reimbursement from ETP.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006